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# SALES & MARKETING

APRIL 1988
A BILL PUBLICATION
THREE DOLLARS

## GREAT SELLING JOBS
Building a Million-Dollar Deal at the Last Minute

## HIRING
IQ Tests for Salesmen Make A Comeback

## RETAILING
How Much Hype In Hypermarkets?

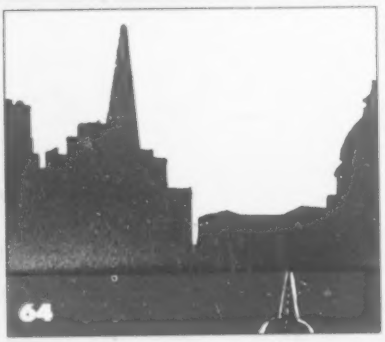
## CUSTOMER SERVICE
Five Companies That Do It Right—And Make It Pay

## COMPUTERS
How the Best Sales Forces Use PCs and Laptops

Moreta Business Systems
R. Michael Frantz, Michael Norris,
Hugh Snider, Tom Moscipove
Four who built the deal

APRIL 1988
A BILL PUBLICATION
ESTABLISHED 1918

# SALES & MARKETING MANAGEMENT




COVER PHOTOGRAPH BY HOLLY KUPER

## FEATURES

**36 BUILDING A MILLION-DOLLAR DEAL AT THE LAST MINUTE**

How a small manufacturer of facsimile machines snagged an enormous sale—with a little help from a big-name competitor.

**42 IQ TESTS FOR SALESMEN MAKE A COMEBACK**

Ability testing, once the pariah of the personnel department, is regaining its status as the most effective tool in hiring.

**50 HOW MUCH HYPE IN HYPERMARKETS?**

Europe has 2,000, Canada has 22, and now America is getting its first wave of the super-superstores. But will they make it big with discount-jaded shoppers here?

**56 CUSTOMER SERVICE: FIVE COMPANIES THAT DO IT RIGHT AND MAKE IT PAY**

Long considered the Rodney Dangerfields of sales and marketing, customer service departments are earning respect—and dollars—for their companies.

**64 HOW THE BEST SALES FORCES USE PCs AND LAPTOPS**

Could it be coincidental that the best sales forces are also the best equipped with computers? Results of an exclusive poll show that stacking the deck wins acceptance.

**75 WILL THE RHINO SURVIVE?**

Some sales meetings are nothing but fun and games. Some can make or break a company. That's how marketers at Armstrong Tire approached this year's gathering.

## DEPARTMENTS

4 EDITOR'S SIDE POCKET
6 LETTERS
8 VIEWPOINT
10 DEMOGRAPHICS IN ACTION
15 TRAVELERS' NETWORK
17 SALES FORCE MANAGEMENT
19 BOOKS
25 SHORT TAKES
30 BUSINESS-TO-BUSINESS
32 INTERNATIONAL
35 MARKETERS, ETC.
80 COMPUTERS
89 BUSINESS ADVERTISING
90 SECOND THOUGHTS
91 COOPERATIVE ADVERTISING
92 MOTIVATION
96 AD INDEX
97 SALES MART
100 SIGNIFICANT TRENDS
101 WORTH WRITING FOR

# EDITOR'S SIDE POCKET

## THE SILVER BULLET

In theory, Bill Kelley shouldn't have had to write at such length in this issue about customer satisfaction. After all, isn't it the natural and inevitable end point of a successful business? Natural, perhaps. Inevitable, hardly. From the look of it, many businesses are successful despite their indifference to customers.

One explanation: Customer service is so bad and customer expectations so low that a company doesn't have to please customers to be successful. This thought came to mind recently during a conference sponsored by the American Marketing Association. "From what I gather," remarked one of the speakers, Leland Pillsbury, a senior vice president of Marriott Corporation, "consumers don't believe American business cares. Cynicism and resignation reign."

Not that there aren't bright spots. Pillsbury tells the story of the angry customer who showed up at Nordstrom's, the Seattle department store, carrying an automobile tire. He slammed the tire on the customer service representative's desk, claimed it was defective, and demanded his money back. The clerk said she had to get an okay from her supervisor, got it, and gave the man his $75 refund.

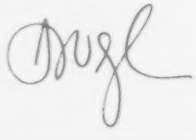
Pillsbury read our thoughts: a nice story, but so what? Then he nailed us: "*Nordstrom's doesn't sell tires.* It *wasn't* their tire, but it *was* their customer."

Pillsbury's point is that too often the customer is regarded as the enemy, who has to *prove* he's been done wrong. Pillsbury says shift the burden: Prove that you care by laying yourself on the line—as Marriott did when it offered $250 and two free nights at a Marriott if a reservation wasn't honored, or breakfast free if you didn't get it in five minutes. "At Marriott," Pillsbury said, "the salesman is the company's suggestion box. Because compensation for Marriott salesmen is tied to how satisfied guests are, they are more inclined to fight battles with operations about having breakfasts served on time."

What Pillsbury is saying is give the customer something extra. The *how* is quite as simple. "Empower your salesmen and everybody else to service the customer," said Thomas B. Walkup, president of GTE North in Minneapolis. For some, however, empowering employees means a change in mind-set. It means making customer satisfaction more important than following policies and procedures and connecting the dots. It may also mean putting a high level executive in charge of customer service (see "Viewpoint," page 8). As Walkup says, "The customer is the silver bullet."

How many companies actually pay attention to these self-evident priorities? Those mentioned in Bill Kelley's story apparently do. How select a group are they? I suggested Bill ask people on our staff how they were treated if they had problems with a product or service during the last year. No doubt researchers would say this is far removed from being a "representative sample." Well, it's not meant to be one. They are not numbers. They are people. They are customers.

What did they say? I couldn't tell you now if I wanted to, because Bill hasn't written the article. If you want to guess what he'll discover, however, drop me a note. I promise to respond. It's the least I can do for a customer.

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# LETTERS

## DOLLAR FOR DOLLAR

In response to the article entitled "The Oily Rebate Doesn't Catch the Consumer" ("Viewpoint," January), I can only say that it is unfortunate that Sandra Dollar has not been exposed to the real world of refunding. It is also unfortunate that she did not take the time to research the subject before exposing her lack of knowledge to your readers.

Prior to her next attack on refunding, may I suggest she visit several fulfillment organizations, refunder meetings and/or conventions, and corporations that implement refund offers. Only after she has taken these steps can she develop an appreciation of why corporations must defend themselves against "professional" refunders who attempt to bend the rules of refund offers. Yes, they are the minority, but their actions are not in keeping with the intent of the offer, and they, not corporations, cause what may be construed as unreasonable refund requirements.

Ronald C. Roederna
Randolph, NJ

The "Viewpoint" article in the January issue regarding difficult rebates was excellent. It is impressive to read an article in a sales magazine that cuts through the issue and clarifies the result so directly. Sandra Dollar is apparently a consultant with her feet on the ground.

James S. McKenna
Agent
State Farm Insurance
Drexel Hill, PA

## ABOVEGROUND ECONOMY

"Bartering Comes of Age" (January) was a very accurate picture of the growth and acceptance of a wonderful business tool with one exception or should I say misconception.

In the box on page 62, a reference was made to trades (via a retail trade exchange), which economists refer to as "America's biggest underground economy."

The retail trade exchange industry was formed 28 years ago by a former banker in Los Angeles. He introduced the idea of a "trade exchange" (built upon a debit and credit system), where business owners could trade their products/services among each other and therefore not have to accept the other's merchandise on a direct one-to-one basis. Rather, they would take payment for the trade in the form of a "trade dollar," which would then be credited to their account to be immediately available for use in their future barter purchases with any other member of the trade exchange.

As such, trade exchanges are third-party record-keepers and, under the Tax Equity & Fiscal Responsibility Act of 1982, on a par with other third-party record-keepers (i.e., banks, credit card companies, security brokers, attorneys, and accountants). As legitimate third-party record-keepers, trade exchanges are required to submit information reports (1099s) to the IRS on the barter sales of their clients. Therefore, it is incorrect to consider trade exchange bartering to be a part of the underground economy (unreported income).

Robert B. Meyer
Editor
*BarterNews*
Mission Viejo, CA

## LEAN AND MEAN

This is not a form letter—this is not a standard business letter, either. This is a personal note from a subscriber. In the last 15 years I may once have taken the time to sit down and send a note to a magazine, so it means something if I'm doing this.

About a year ago, I almost canceled my subscription to your magazine. I got very little from the articles, but I hung on awhile to see what the new version would look like.

I'm very happy I did. The lean and mean articles in January's issue were excellent, and the supporting articles were worth the price 10 times over. Please keep up the effort. It shows in the end product.

Craig Carraher
Sales Manager
Sunoco Products
Hartsville, SC

## CORRECTION

SoftPedal, a manufacturer of computer software ("Software Survey," December 1987), does not offer a free demo of its Sally software. □

# A New Migration—*Away* From California

MAGIC's leaving California in 1989, but then so are the California Grocers', Cattlemen, Bankers', Medical, and School Employees' associations: these groups have all announced their intention to cross the border to hold their annual meetings.

Where are they going and why? David Wilbern, convention sales and services manager for the Reno-Sparks Convention and Visitors Authority, projects that 40% of future convention delegates visiting Reno will come from California-based organizations. And officials at the Reno and Las Vegas Visitors and Convention Bureaus are certainly pleased: The tally for California convention business adds up to $40 million for these cities.

MAGIC (The Men's Apparel Guild in California) is deserting Los Angeles because of lack of space: The Las Vegas Convention Center, a 1 million sq. ft. facility, has almost three times more exhibit space than the LA Convention Center. Officials at the California Growers' Assn., Medical Assn., and School Employees' Assn. all cite both the cost of accommodations and space as factors in their moves.

Las Vegas hotel room rates run as low as $50 a day and are guaranteed for as long as three years whereas most California hotels won't quote prices a year in advance, much less guarantee them. Donald C. Beaver, president of the grocers' group, which used to hold its meetings in San Francisco but is booked into Las Vegas through 1992, says his group can get all its delegates in one hotel for half the price it paid in San Francisco.

What's the civic response in California's convention cities to losing all this business? Plans call for the Los Angeles Convention Center to have 610,000 sq. ft. by the 1990s, but that may be too much too late. Anaheim, with 265,000 sq. ft. in its convention center, last year beat LA for the biggest shows, according to *TradeShow Week*. Statistics compiled for their annual analysis of the top 200 trade shows ranked Anaheim in sixth place last year with 15 of the top shows, compared to Los Angeles, which, with nine shows. tied for seventh place with Washington, DC.

To compound LA's problem, nearby Long Beach is planning to almost double the capacity of its convention center to 340,000 sq. ft., and San Diego is making its first bid for major trade shows with the fall 1989 opening of a new convention center with 354,000 sq. ft. of space. Darlene Zonca, editor of *TradeShow Week*, says this move will make San Diego a major competitor with LA for trade show business.

While some cite LA's negative image because of smog, gridlock, earthquakes, and gang wars as a factor in its recent poor showing as a convention city, Zonca points out that since conventions must be booked as much as 10 years in advance, local news has little effect on site selection. If it did, Dallas, which ranks No. 2 on the FBI's uniform crime report, would not appear on *TradeShow Week*'s list of top 10 cities, much less rank No. 3 with 19 of the top 200 shows.

Perhaps the most important factor in site selection is geographic location, and while West Coast cities may have—for the most part—baby-blue skies and amenable climates, most major corporations have their home offices in New York or Chicago—with Chicago home to twice the Fortune 500 companies California has. Since these corporations attract the greatest number of attendees, who on average travel 400 miles to attend trade shows, the bulk of these meetings are held in New York, Chicago, Dallas, and Atlanta.

Does all this mean California cities are at the bottom of the list? Not at all. Anaheim, Los Angeles, and San Francisco hold relatively stable positions on *TradeShow Week*'s tally, but it may just signal the end of another set of gold rush days.

ILLUSTRATION BY DAVID FLAHERTY

**TOP 10 CITIES IN TRADE SHOWS**

| 1987 | | 1982 | | 1977 | |
|---|---|---|---|---|---|
| New York City | 29 | Chicago | 33 | Chicago | 33 |
| Chicago | 26 | New York | 18 | Atlanta | 14 |
| Dallas | 19 | Atlanta | 17 | New York City | 13 |
| Atlanta | 18 | Dallas | 16 | Dallas | 10 |
| Las Vegas | 18 | Las Vegas | 14 | Anaheim | 10 |
| Anaheim | 15 | Los Angeles | 8 | Las Vegas | 10 |
| New Orleans | 9 | Houston | 7 | Atlantic City | 9 |
| Los Angeles | 8 | Anaheim | 6 | New Orleans | 9 |
| Washington, DC | 8 | Kansas City | 5 | Los Angeles | 7 |
| Louisville | 6 | San Francisco | 5 | San Francisco | 6 |

Source: *TradeShow Week*

1988 MARKETS

## BARBIE'S OUT

Marketers of industrial goods and services won't get much help this year from the nation's synthetic sweetheart, Barbie Doll, but they can expect much more business from the maligned smokestack industries. Those are two of the sales tips to be gleaned from the U.S. Commerce Dept.'s annual *1988 U.S. Industrial Outlook*, which sees manufacturing shipments surging 2.4% in 1988 (in constant 1982 dollars), almost double the long-term 1.2% annual uptick.

Triggering the upsurge: the falling value of the dollar, cost-cutting programs, and plant modernization, all of which make U.S.-made goods more price competitive in export markets. As a result, the department predicts 82% of 227 4-digit manufacturing industries, the highest share ever, to ship more product this year than last.

Significantly, 4 of the 15 sectors that will post the smartest growth rates this year are traditional smokestack industries buffeted by long-term declines (see table). They are: turbine generator sets, primary copper, and metal-forming and metal-cutting machines. Conversely, 6 of the 15 industries expected to suffer the biggest falloffs in shipments have been experiencing long-term growth, such as doll making and ceramic wall and floor tile.

Among service industries, the department sees the strongest gains chalked up by videotex, up 25%; computer software, 22%; computer professional services, 20%; cable TV, 15%; data processing, 13%; management services, 12%; legal services, 11.2%; and commercial banking, 11%. These are not included in the adjoining table because they do not have a uniform measurement standard.

## 1988's Winnners . . .

| | SIC | Industry | 1987-1988 % Gain | 1988 Shipments (Bil. 1982 $) | 1973-1988 Annual % Change |
|---|---|---|---|---|---|
| 1 | 3573 | Computing equipment | 22.1% | $139.902 | +32.3% |
| 2 | 3511 | Turbine generator sets | 18.5 | 999 | -10.4 |
| 3 | 3674 | Semiconductor devices | 17.9 | 42.873 | +29.3 |
| 4 | 3331 | Primary copper | 12.7 | 3.100 | - 1.4 |
| 5 | 3542 | Metal-forming machines | 10.5 | 1.323 | - 3.3 |
| 6 | 3541 | Metal-cutting machines | 10.1 | 3.136 | - 1.9 |
| 7 | 3832 | Optical devices/lenses | 10.0 | 7.165 | +15.0 |
| 8 | 3841 | Surgical & medical | 8.5 | 6.782 | + 7.7 |
| 9 | 3842 | Surgical appliances | 8.3 | 9.931 | + 7.9 |
| 10 | 3079 | Misc. plastics products | 8.0 | 64.474 | + 6.1 |
| 11 | 3811 | Enginaer/science instruments | 8.0 | 4.328 | + 4.7 |
| 12 | 2795 | Lithographic services | 7.2 | 1.813 | + 9.0 |
| 13 | 3761 | Missiles/space vehicle | 7.1 | 19.700 | + 4.5 |
| 14 | 3769 | Space vehicles, n.e.c. | 7.0 | 3.825 | + 3.9 |
| 15 | 3825 | Electrical measuring devices | 7.0 | 7.827 | + 5.5 |

## . . . And Losers

| | SIC | Industry | 1987-1988 % Loss | 1988 Shipments (Bil. 1982 $) | 1973-1988 Annual % Change |
|---|---|---|---|---|---|
| 1 | 3211 | Flat glass | 10.3% | $ 1.960 | + 1.1% |
| 2 | 3021 | Rubber/plastic footwear | 9.8 | 507 | - 4.2 |
| 3 | 3441 | Fabricated structural metal | 8.5 | 8.015 | - 1.2 |
| 4 | 2793 | Photoengraving | 7.7 | 108 | - 8.9 |
| 5 | 3942 | Dolls | 7.1 | 328 | + 0.1 |
| 6 | 3731 | Ship building & repair | 6.7 | 7.438 | - 0.3 |
| 7 | 2131 | Chewing/smoking tobacco | 5.0 | 652 | + 1.5 |
| 8 | 2121 | Cigars | 4.9 | 194 | - 6.3 |
| 9 | 2895 | Carbon black | 4.7 | 810 | + 0.1 |
| 10 | 3272 | Concrete products, n.e.c. | 3.9 | 3.919 | - 1.0 |
| 11 | 2819 | Indust'l inorganic chemicals, n.e.c. | 3.2 | 12.528 | + 0.1 |
| 12 | 3253 | Ceramic wall/floor tile | 3.1 | 660 | + 5.1 |
| 13 | 2435 | Hardwood/plywood | 3.1 | 1.356 | - 1.0 |
| 14 | 3273 | Ready-mixed concrete | 3.1 | 9.040 | - 0.4 |
| 15 | 3271 | Concrete block & brick | 3.0 | 1.539 | - 1.3 |

SIC: Standard of Industrial Classification.
n.e.c.: not elsewhere classified
Source: U. S. Dept. of Commerce, *1988 U. S. Industrial Outlook*.

ILLUSTRATION BY DAVID FLAHERTY

hard to find the time to do a thorough job of training because we had our own work to do."

All that has changed. In 1987, the $1.4 billion private Chappaqua, NY, company hired five training people (one supervisor and four trainers) to prepare customer service representatives for their jobs. The benefits have been twofold, says McDonough: Representatives, of course, are better trained, and the department knows that management has made a commitment to customer service. "People feel better because they see that management takes their job seriously."

The training program at Reader's Digest is a little different from most. For the first eight weeks of employment, customer service representatives receive virtually no formal training. Instead they observe customer service people at work and, in the process, learn some of the basics of the job. "They may read some mail, listen to phone calls, and do things like that," says McDonough. The reason for this, she says, is to make the training sessions more relevant. "The experience takes some of the abstract nature out of classroom training."

During the first year, customer service representatives receive about 12 weeks of classroom training broken into two 6-week sessions. The first couple of days focus on the company and its product line (in addition to *Reader's Digest* magazine, the company sells books, records, and other publications), followed by training on computers and office equipment. After that, the course work is centered on company policy and procedure for handling inquiries. If manning the phones, trainees will be taught to diffuse anger and deal with hostile calls; if handling correspondence, they will take a writing course.

After six to nine months, trainees will become full-fledged customer service representatives. It takes about that long for them to gain the confidence to do the job well, says McDonough. "It's unlikely that what they learn in the classroom will be exactly like what they will be faced with daily," she says. "When they can make decisions on their own, they are truly reps."

After the first year, customer service people will still receive training, though in a less structured format. Periodically, sessions will be held on topics ranging from the benefits of customer service to changing policies and procedures.

In addition, once a month, customer service people meet with marketing managers to discuss the company's progress. "The job can get a little depressing," explains McDonough. "All day long, people hear complaints. It's good for them to hear what's going right."

## What They Make

**Starting or revamping a customer service department will not be cheap, especially when it comes to salaries. But, as managers already know, good employees are almost always worth the expense. Following is a 1987 salary survey by ICSA of its members:**

| | CS Director | CS Manager | Sr. CS Rep | CS Rep | CS Clerk |
|---|---|---|---|---|---|
| Starting: | $43,307 | $31,864 | $20,011 | $16,391 | $12,550 |
| Average: | 53,614 | 38,777 | 23,922 | 19,766 | 14,862 |
| Top: | 64,497 | 47,148 | 28,548 | 23,568 | 17,331 |

## What They Do

**Following are the top 10 functions of customer service personnel:**

1. Inquiries
2. Order status inquiries
3. Liaison with other departments
4. Phone order processing
5. Price/availability
6. Returns/claims processing
7. Mail order processing
8. Field sales support
9. Inside rep training
10. Sales literature requests

Source: International Customer Service Assn.

**Cash and candy kisses help Dennis Hauser at Resort Condominiums.**

PHOTOGRAPH BY JOHN STARKEY/BLACK STAR

## MOTIVATING

### A LIGHT TOUCH KEEPS REPS AT RESORT CONDOMINIUMS ON THEIR TOES

Customer service representatives at Resort Condominiums International, Indianapolis, IN, are never quite sure what the next phone call will bring: a request for information, a complaint about a missing corkscrew, or a quick message from Dennis Hauser, director of customer services, to come to his office and pick up the $25 they just won for answering the phone first.

"About ten times a day or so I have what I call the Dennis Hauser Lottery Call," he explains. "I dial our 800 number and the first one to get to the phone, gets the money."

Hauser oversees a staff of 220 customer service representatives for the privately held $50 million timeshare vacation exchange company. Each

# PC's Role in Presentations

Marketers who rely on dramatic illustrations to jazz up their sales presentations will increasingly turn to PC graphics. The number of computer-generated overhead transparencies will almost triple in the 1987-92 period, predicts Desktop Presentations, the Mountain View, CA, research firm, while manually prepared versions will rise slightly. Similarly, the number of PC-based 35mm slides will almost double, vs. a drop by manual counterparts.

Sparking the growth, says Jerry Cahn, president of Brilliant Image, a New York City service bureau, is greater awareness that dramatic visuals help increase audience recall fivefold as well as give a more professional look to presentations. Greater availability of PC graphics software also helps, he says, adding that over 200 such packages are now on the market.

Indeed, Desktop president William L. Coggshall sees unit sales of charting and integrated presentation management packages climbing 182% to 790,000 by 1992.

## PC Share

**OVERHEAD TRANSPARENCIES**

**1992**

**1987**

**35MM SLIDES**

**1992**

**1987**

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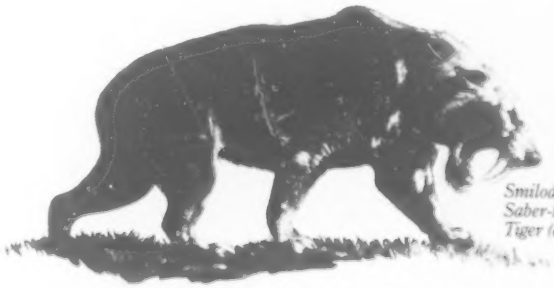

*Smilodon, Great Saber-toothed Tiger (extinct)*

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## MIS'S SPLIT VIEW OF END-USER PCs

Sales or marketing departments that latched on to PCs to get into computerization and bypass unsympathetic MIS (Management Information Systems) directors face a tough future: They'll have to deal more often with MIS managers or emerging CIOs (Chief Information Officers). Corporate plans to integrate office automation, information processing, and telecommunications as well as the growing awareness that information can be used to support corporate strategic goals are current trends that ensure this.

The findings of a survey conducted by Arthur Andersen's Chicago management information consulting group suggest that MIS chiefs have a split personality when it comes to departmental users. On the one hand, when 120 MIS executives among Fortune 500-type companies rated the relative importance of 22 specific issues, "facilitating/managing end-user computing" headed the list, 76% citing it as "very important" or "somewhat." On the other hand, when asked which of the 22 issues are of primary concern today, end-user needs tumbled to fourth place, cited by 8%, whereas "translating information technology into competitive advantage" led the way.

Similarly, when the MIS folks were asked—unaided and without prompting—to rank their concerns, their conventional role of "keeping current with changes in technology/systems" was by far the leading issue, while end-user needs placed a lowly fifth. Even so, MIS chiefs are aware of the benefits of departmental PCs, the most frequently cited ones being increased productivity and efficiency, and user control.


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COMPUTER HIGHLIGHT

## SCANNERS PASS A MILESTONE

Point-of-sale scanners became part of the retailing mainstream last year when, for the first time, stores with such equipment accounted for more than half, 54%, of food store sales, according to the *1987 Nielsen Review of Retail Grocery Store Trends*. Larger stores and scanners go particularly well together, with scanners ringing up 75% or more of their volume. A.C. Nielsen, which compiled the report, predicts that the growth of scanner-equipped stores will be 9% this year. Thus the research firm expects that the portion of stores equipped with the computerized checkout devices will edge up to 58%.

### Scanning's Impact

**Markets with highest . . . $ACV***

| | |
|---|---|
| Denver | 76.9% |
| Los Angeles | 72.0 |
| Chicago | 71.0 |
| St.Louis | 71.0 |
| Seattle | 70.4 |

**. . . and lowest penetration $ACV***

| | |
|---|---|
| Raleigh/Durham | 23.9% |
| Memphis/Little Rock | 32.5 |
| Nashville | 35.5 |
| Detroit | 36.4 |
| Philadelphia | 40.1 |

*All-commodity volume (food store sales)
Source: A. C. Nielsen, *1987 Nielsen Review of Retail Grocery Store Trends*.

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## SMALL IS BEAUTIFUL

While shipments of portable PCs will grow 42% in the 1985–90 period, those of briefcase-size units will more than double, according to a report, *The Market and Competitive Environment for Portable Computers*, by Frost & Sullivan, a New York City research firm. Actually, the report offers two different forecast scenarios: an optimistic one with 56.2% growth and an alternative one with 27.5%. The figures shown in the table below represent a midpoint of the two forecasts.

Noting that briefcase models "are still struggling with technology problems," the report predicts, "Once a viable alternative to the LCD screen is found, in terms of readability, battery power consumption, and price, sales should increase. Smaller lap-size models are basically word processing machines and as such have penetrated that market well, leaving little prospect for dramatic sales increases. Handhelds will be replaced by (high-end) lap-size units for reasons of computing power and larger keyboards. Transportables will continue their strong performance, although there will be an inevitable decline as smaller machines break the $1,500 mark."

The key market issues for portables, the report says, are display technology, memory capacity, interfacing with the IBM PC, compatibility with existing desktop systems, and pricing. Portables will always be price-sensitive because "they must utilize the most advanced technology to accomplish as much as desktop systems in a smaller package, and this state-of-the-art technology is the most expensive option, keeping portables at the top price range for their performance level."

The report agrees with the industry consensus that market growth has been slower than predicted. As a result, vendors are changing their selling strategies, shifting from the retail channel, where it is difficult to win shelf space against name brands, to value-added resellers (VARs) that cultivate niche markets. "Companies that do not have a retail presence are not trying as hard to gain one," the report says, "and companies that do have a retail presence are actively installing or augmenting their VAR programs." □

### PCs on the Go

| MARKET SEGMENT | UNIT SHIPMENTS (000) 1985 | 1990 | % CHANGE | MARKET SHARE 1985 | 1990 |
|---|---|---|---|---|---|
| Hand-held | 185 | 133 | – 28.1% | 14.6% | 7.4% |
| Lap-size | 140 | 231 | + 65.0 | 11.1 | 12.8 |
| Briefcase-size | 300 | 623 | +107.7 | 23.7 | 34.6 |
| Transportables | 641 | 811 | + 26.5 | 50.6 | 45.1 |
| TOTAL | 1,266 | 1,798 | + 42.0% | 100.0% | 100.0% |

Note: Details may not add to totals due to rounding.
Source: Frost & Sullivan, *The Market and Competitive Environment for Portable Computers* (#A1583)

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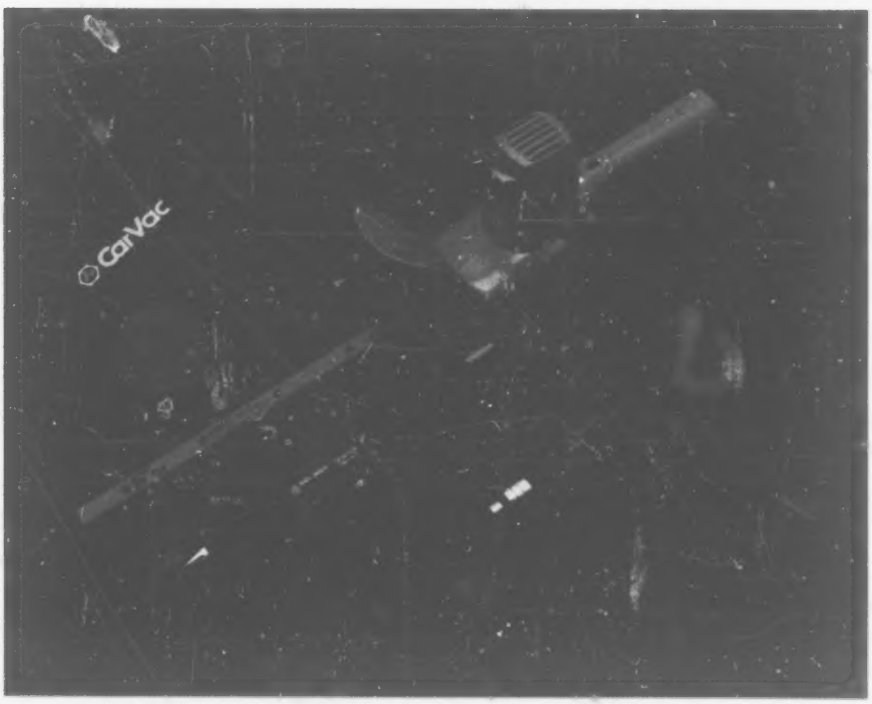


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